

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Fulton	County Gratiot
Fiscal Year End 3/31/07	Opinion Date 7/18/07	Date Audit Report Submitted to State 8/16/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Authorizing CPA Signature		Printed Name Aaron M. Stevens, CPA	Zip 48823
		License Number 1101024055	

**Township of Fulton
Gratiot County, Michigan**

FINANCIAL STATEMENTS

March 31, 2007

Township of Fulton
Gratiot County, Michigan
March 31, 2007
BOARD OF TRUSTEES

Mr. William A. Burnham

Supervisor

Mrs. Diane Ruedger

Clerk

Mrs. Josephine Kissane

Treasurer

Mr. Glen Winsor

Trustee

Mr. Harry Vaughn, Jr.

Trustee

Township of Fulton
TABLE OF CONTENTS
March 31, 2007

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	i
MANAGEMENT'S DISCUSSION AND ANALYSIS	ii-v
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Assets - Proprietary Funds	7-8
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	9-10
Statement of Cash Flows - Proprietary Funds	11-14
Notes to Financial Statements	15-24
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Budgetary Comparison Schedule	25
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	26-27
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	28-29

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Fulton
Perrinton, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Fulton, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Fulton, Michigan as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Township of Fulton's basic financial statements. The accompanying other supplementary information, as identified in the Table of Contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 18, 2007

East Lansing ▪ Rochester Hills ▪ St. Johns

The following is a discussion and analysis of the Township of Fulton (the Township's) financial performance and position, providing an overview of the activities for the year ended March 31, 2007. This analysis should be read in conjunction with the Independent Auditors Report and with the Township's financial statements, which follow this section. This discussion and analysis provides comparisons with the previous year.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2007.

- State shared revenue, our largest revenue source in the General Fund, increased by approximately \$1,368.
- Property tax revenues increased approximately \$4,176 from the prior year. This increase is a result of increasing property values and decreasing the millage that was levied in the Township.
- Total net assets were \$3,005,324. Net assets of \$547,031 and \$2,458,293 were attributable to governmental and business-type activities, respectively.

Using This Annual Report

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide Financial Statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 4 and 6 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (including depreciation) are not reported on the fund financial statements of the governmental funds. Capital assets and depreciation expense are reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Long-term liabilities, such as amounts accrued for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.

Fund Financial Statements. The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township of Fulton maintains five (5) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Other Supplementary Information section of this report.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds. The Township of Fulton maintains three (3) proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses Enterprise Funds to account for its sewer system activity. The *Internal Service* fund, which reports activities that provide supplies or service to the Township's other operations, is reported as a governmental activity on the government-wide statements.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-24 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, such as this MD&A and the General Fund budgetary comparison schedule. Combining statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information.

Township of Fulton

Management's Discussion and Analysis

The Township as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2007.

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	\$ 385,914	\$ 374,456	\$1,819,737	\$ 1,824,782	\$ 2,205,651	\$ 2,199,238
Capital assets	190,251	189,516	815,122	830,085	1,005,373	1,019,601
Total assets	576,165	563,972	2,634,859	2,654,867	3,211,024	3,218,839
Liabilities						
Current liabilities	29,134	9,748	11,191	11,335	40,025	21,083
Noncurrent liabilities	-	-	165,375	171,990	165,375	171,990
Total liabilities	29,134	9,748	176,566	183,325	205,700	193,073
Net Assets						
Invested in capital assets-						
net of related debt	190,251	189,516	643,132	651,480	833,383	840,996
Restricted	44,204	22,307	167,794	174,265	211,998	196,572
Unrestricted	312,576	342,401	1,647,367	1,645,797	1,959,943	1,988,198
Total net assets	\$ 547,031	\$ 554,224	\$2,458,293	\$ 2,471,542	\$ 3,005,324	\$ 3,025,766

The Township's total net assets were \$3,005,324 on March 31, 2007. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$1,959,943 at the end of the fiscal year. The net assets invested in capital assets, net of related debt were at \$833,383.

The following table shows the changes in net assets during the current year.

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenue:						
Charges for services	\$ 29,303	\$ 27,161	\$ 90,685	\$ 90,478	\$ 119,988	\$ 117,639
Operating grants and contributions	3,697	3,561	-	-	3,697	3,561
Capital grants and contributions	8,040	12,554	-	-	8,040	12,554
General revenues:						
Property taxes	50,021	47,063	-	-	50,021	47,063
State Revenue Sharing	134,689	133,321	-	-	134,689	133,321
Investment earnings	6,054	6,035	58,417	42,923	64,471	48,958
Miscellaneous	10,048	6,144	-	-	10,048	6,144
Total revenues	241,852	235,839	149,102	133,401	390,954	369,240
Expenses						
General government	153,227	135,559	-	-	153,227	135,559
Public safety	30,500	30,800	-	-	30,500	30,800
Public works	54,087	44,688	-	-	54,087	44,688
Community and economic development	1,278	1,516	-	-	1,278	1,516
Other	9,953	9,776	-	-	9,953	9,776
Business-type activities	-	-	162,351	149,417	162,351	149,417
Total expenses	249,045	222,339	162,351	149,417	411,396	371,756
Change in net assets	\$(7,193)	\$ 13,500	\$(13,249)	\$(16,016)	\$(20,442)	\$(2,516)

Governmental Activities

The Township's governmental revenues totaled \$241,852 with the greatest revenue source being state shared revenue, making up approximately 56 percent of total governmental revenue. Over the past year, state shared revenue and interest income have both increased.

The Township incurred expenses of \$249,045 during the year; the majority of governmental expense is associated with providing general governmental services.

Business-type Activities

The Township incurred expenses of \$162,351 during the year to provide sewer services.

The Township's Funds

Governmental Funds. The analysis of the Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township of Fulton's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millage. The Township's major fund for the fiscal year ended March 31, 2007 was the General Fund. The General Fund pays for most of the Township's governmental services. The most significant service provided during the fiscal year was general governmental services, which incurred expenditures of \$155,447 for the fiscal year.

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendments were made to cover unanticipated costs associated with fire protection and township hall services. However, because all departments came in under budget at year-end, there was an overall favorable variance for expenditures of approximately \$24,046 from the budget.

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year, the Township had approximately \$1,005,373 invested in a broad range of capital assets, including buildings, land, equipment, and capital assets held by the three sewer systems. In addition, the Township has made certain investments in roads and drains within the Township. These assets are not reported in the Township's fund statements, because under Michigan law, these roads and drains are the property of the Gratiot County Road and Drain Commissions, respectively.

Long-term Debt. The Township issued no new debt during the fiscal year.

Current Economic Factors

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be under attack.

Contacting the Township Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township finances and demonstrates the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk or Treasurer at the Township Hall.

BASIC FINANCIAL STATEMENTS

Township of Fulton
STATEMENT OF NET ASSETS
March 31, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 346,933	\$ 606,294	\$ 953,227
Investments	-	450,000	450,000
Receivables	1,224	50,920	52,144
Internal balances	28,867	(28,867)	-0-
Due from other governmental units	8,708	18,000	26,708
Prepaid expenses	182	-	182
Total current assets	385,914	1,096,347	1,482,261
Noncurrent assets			
Investments	-	506,517	506,517
Special assessments - deferred	-	216,873	216,873
Capital assets not being depreciated	22,505	-	22,505
Capital assets, net	167,746	815,122	982,868
Total noncurrent assets	190,251	1,538,512	1,728,763
TOTAL ASSETS	576,165	2,634,859	3,211,024
LIABILITIES			
Current liabilities			
Payables	26,716	-	26,716
Accrued liabilities	2,265	-	2,265
Due to other governmental units	-	380	380
Accrued interest payable	-	4,196	4,196
Current portion of compensated absences	153	-	153
Current portion of long-term debt	-	6,615	6,615
Total current liabilities	29,134	11,191	40,325
Noncurrent liabilities			
Noncurrent portion of long-term debt	-	165,375	165,375
TOTAL LIABILITIES	29,134	176,566	205,700
NET ASSETS			
Invested in capital assets, net of related debt	190,251	643,132	833,383
Restricted for:			
Debt service	21,897	167,794	189,691
Perpetual care	22,307	-	22,307
Unrestricted	312,576	1,647,367	1,959,943
TOTAL NET ASSETS	<u>\$ 547,031</u>	<u>\$ 2,458,293</u>	<u>\$ 3,005,324</u>

See accompanying notes to financial statements.

Township of Fulton
STATEMENT OF ACTIVITIES
Year Ended March 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 153,227	\$ 25,423	\$ -	\$ -	\$ (127,804)	\$ -	\$ (127,804)
Public safety	30,500	3,050	-	-	(27,450)	-	(27,450)
Public works	54,087	-	3,697	8,040	(42,350)	-	(42,350)
Community and economic development	1,278	830	-	-	(448)	-	(448)
Other	9,953	-	-	-	(9,953)	-	(9,953)
Total governmental activities	249,045	29,303	3,697	8,040	(208,005)	-0-	(208,005)
Business-type activities:							
Sewer #5	78,477	47,846	-	-	-	(30,631)	(30,631)
Sewer #6	53,455	35,945	-	-	-	(17,510)	(17,510)
Pompeii Sewer	30,419	6,894	-	-	-	(23,525)	(23,525)
Total business-type activities	162,351	90,685	-0-	-0-	-0-	(71,666)	(71,666)
Total government	<u>\$ 411,396</u>	<u>\$ 119,988</u>	<u>\$ 3,697</u>	<u>\$ 8,040</u>	(208,005)	(71,666)	(279,671)
General revenues:							
Property taxes					50,021	-	50,021
State shared revenues					134,689	-	134,689
Investment earnings					6,054	58,417	64,471
Miscellaneous					10,048	-	10,048
Total general revenues					200,812	58,417	259,229
Change in net assets					(7,193)	(13,249)	(20,442)
Net assets, beginning of the year					554,224	2,471,542	3,025,766
Net assets, end of the year					<u>\$ 547,031</u>	<u>\$ 2,458,293</u>	<u>\$ 3,005,324</u>

See accompanying notes to financial statements.

Township of Fulton

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2007

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 265,216	\$ 56,913	\$ 322,129
Accounts receivable	1,224	-	1,224
Due from other funds	31,460	-	31,460
Due from other governmental units - local	7,717	976	8,693
Prepays	182	-	182
TOTAL ASSETS	\$ 305,799	\$ 57,889	\$ 363,688
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Payables			
Accounts	\$ 25,691	\$ -	\$ 25,691
Customer deposits	1,025	-	1,025
Accrued liabilities	2,265	-	2,265
Due to other funds	-	2,362	2,362
TOTAL LIABILITIES	28,981	2,362	31,343
FUND BALANCES			
Reserved for:			
Perpetual care	-	22,307	22,307
Debt service	-	21,897	21,897
Prepays	182	-	182
Unreserved			
Designated for subsequent year's expenditures	27,552	-	27,552
Undesignated, reported in:			
General fund	249,084	-	249,084
Special revenue funds	-	11,323	11,323
TOTAL FUND BALANCES	276,818	55,527	332,345
TOTAL LIABILITIES AND FUND BALANCES	\$ 305,799	\$ 57,889	\$ 363,688

See accompanying notes to financial statements.

Township of Fulton

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

March 31, 2007

Total fund balance - governmental funds \$ 332,345

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 433,709	
Accumulated depreciation is	<u>(243,458)</u>	
Capital assets, net		190,251

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets.

Net assets of governmental activities accounted for in Internal Service Funds	54,834	
Net capital assets of Internal Service Funds included in the total above	<u>(30,246)</u>	
		24,588

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Compensated absences	<u>(153)</u>
----------------------	--------------

Net assets of governmental activities	<u><u>\$ 547,031</u></u>
--	--------------------------

See accompanying notes to financial statements.

Township of Fulton

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2007

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 63,753	\$ -	\$ 63,753
Licenses and permits	660	-	660
Intergovernmental	138,386	-	138,386
Charges for services	8,881	-	8,881
Interest and rents	8,755	109	8,864
Other	13,269	8,039	21,308
TOTAL REVENUES	233,704	8,148	241,852
EXPENDITURES			
General government	155,447	200	155,647
Public safety	30,500	-	30,500
Public works	47,229	6,858	54,087
Community and economic development	1,278	-	1,278
Other	9,953	-	9,953
TOTAL EXPENDITURES	244,407	7,058	251,465
NET CHANGE IN FUND BALANCES	(10,703)	1,090	(9,613)
Fund balances, beginning of year	287,521	54,437	341,958
Fund balances, end of year	<u>\$ 276,818</u>	<u>\$ 55,527</u>	<u>\$ 332,345</u>

See accompanying notes to financial statements.

Township of Fulton

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2007

Net change in fund balances - total governmental funds \$ (9,613)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 16,993	
Depreciation	<u>(16,258)</u>	
Excess of capital outlay over depreciation expense		735

Internal service funds are used by management to charge the costs of operating and maintaining equipment to individual funds.

Decrease in net assets of Internal Service Fund	(3,803)	
Depreciation of Internal Service Fund capital assets	<u>5,481</u>	
		1,678

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued compensated absences		<u>7</u>
--	--	----------

Change in net assets of governmental activities \$ (7,193)

See accompanying notes to financial statements.

Township of Fulton

Proprietary Funds

STATEMENT OF NET ASSETS

March 31, 2007

	Business-type		
	Sewer #5	Sewer #6	Pompeii Sewer
ASSETS			
Current assets			
Cash and cash equivalents	\$ 428,196	\$ 130,092	\$ 48,006
Investments	400,000	50,000	-
Receivables			
Accounts	13,340	10,613	6,124
Special assessments - current	2,397	-	12,983
Interest	5,165	298	-
Due from other funds	6,350	-	-
Due from other governmental units - local	17,053	947	-
Total current assets	872,501	191,950	67,113
Noncurrent assets			
Investments	506,517	-	-
Special assessments - deferred	131	-	216,742
Advance to other funds	25,593	-	-
Capital assets, net	278,694	171,803	364,625
Total noncurrent assets	810,935	171,803	581,367
TOTAL ASSETS	1,683,436	363,753	648,480
LIABILITIES			
Current liabilities			
Due to other funds	11,915	10,389	12,913
Due to other governmental units - local	380	-	-
Accrued interest payable	-	-	4,196
Current portion of bonds payable	-	-	6,615
Total current liabilities	12,295	10,389	23,724
Noncurrent liabilities			
Noncurrent portion of bonds payable	-	-	165,375
Advance from other funds	-	-	25,593
Total noncurrent liabilities	-0-	-0-	190,968
TOTAL LIABILITIES	12,295	10,389	214,692
NET ASSETS			
Invested in capital assets, net of related debt	278,694	171,803	192,635
Restricted for debt service	-	-	167,794
Unrestricted	1,392,447	181,561	73,359
TOTAL NET ASSETS	\$ 1,671,141	\$ 353,364	\$ 433,788

See accompanying notes to financial statements.

Activities	Governmental Activities
Total	Internal Service Fund (Equipment)
\$ 606,294	\$ 24,804
450,000	-
30,077	-
15,380	-
5,463	-
6,350	408
18,000	15
1,131,564	25,227
506,517	-
216,873	-
25,593	-
815,122	30,246
1,564,105	30,246
2,695,669	55,473
35,217	639
380	-
4,196	-
6,615	-
46,408	639
165,375	-
25,593	-
190,968	-0-
237,376	639
643,132	30,246
167,794	
1,647,367	24,588
<u>\$ 2,458,293</u>	<u>\$ 54,834</u>

Township of Fulton

Proprietary Funds

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended March 31, 2007

	Business-type		
	Sewer #5	Sewer #6	Pompeii Sewer
OPERATING REVENUES			
Charges for services	\$ 47,846	\$ 35,945	\$ 6,894
Equipment rentals	-	-	-
TOTAL OPERATING REVENUES	47,846	35,945	6,894
OPERATING EXPENSES			
Salaries and wages	13,228	6,754	1,889
Social security	1,012	517	145
Other fringe benefits	250	250	-
Health insurance	6,340	6,340	-
Workers' compensation	476	220	61
Supplies	1,683	387	734
Professional services	509	508	335
Utilities	5,249	2,584	2,128
Equipment rental	1,375	325	180
Repairs and maintenance	14,229	16,220	1,070
Insurance	1,099	424	97
Depreciation	32,863	18,790	11,945
Other	164	136	101
TOTAL OPERATING EXPENSES	78,477	53,455	18,685
OPERATING LOSS	(30,631)	(17,510)	(11,791)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	52,424	4,922	1,071
Interest and fiscal charges	-	-	(11,734)
TOTAL NONOPERATING REVENUES (EXPENSES)	52,424	4,922	(10,663)
CHANGE IN NET ASSETS	21,793	(12,588)	(22,454)
Net assets, beginning of year	1,649,348	365,952	456,242
Net assets, end of year	\$ 1,671,141	\$ 353,364	\$ 433,788

See accompanying notes to financial statements.

Activities	Governmental Activities
Total	Internal Service Fund (Equipment)
\$ 90,685	\$ -
-0-	9,567
90,685	9,567
21,871	-
1,674	-
500	-
12,680	-
757	-
2,804	3,510
1,352	300
9,961	-
1,880	163
31,519	611
1,620	3,425
63,598	5,481
401	-
150,617	13,490
(59,932)	(3,923)
58,417	120
(11,734)	-
46,683	120
(13,249)	(3,803)
2,471,542	58,637
<u>\$ 2,458,293</u>	<u>\$ 54,834</u>

Township of Fulton

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended March 31, 2007

	Business-type		
	Sewer #5	Sewer #6	Pompeii Sewer
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 48,798	\$ 35,980	\$ 21,018
Cash paid to employees	(13,228)	(6,754)	(1,889)
Cash paid to suppliers	(27,812)	(22,456)	(3,255)
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,758	6,770	15,874
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Payment on advance from other funds	-	-	(1,805)
Payment on advance to other funds	1,805	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	1,805	-0-	(1,805)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital purchases	(34,442)	(14,193)	-
Payment of bonds payable	-	-	(6,615)
Interest and fiscal charges	-	-	(11,878)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(34,442)	(14,193)	(18,493)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	47,285	4,922	1,071
Maturities of investments	299,250	-	-
Purchases of investments	(591,513)	(50,000)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(244,978)	(45,078)	1,071
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(269,857)	(52,501)	(3,353)
Cash and cash equivalents, beginning of year	698,053	182,593	51,359
Cash and cash equivalents, end of year	\$ 428,196	\$ 130,092	\$ 48,006

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service Fund (Equipment)</u>
\$ 105,796	\$ 10,111
(21,871)	-
<u>(53,523)</u>	<u>(8,009)</u>
30,402	2,102
(1,805)	-
<u>1,805</u>	<u>-</u>
-0-	-0-
(48,635)	-
(6,615)	-
<u>(11,878)</u>	<u>-</u>
(67,128)	-0-
53,278	120
299,250	-
<u>(641,513)</u>	<u>-</u>
<u>(288,985)</u>	<u>120</u>
(325,711)	2,222
<u>932,005</u>	<u>22,582</u>
<u><u>\$ 606,294</u></u>	<u><u>\$ 24,804</u></u>

Township of Fulton

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended March 31, 2007

	Business-type		
	Sewer #5	Sewer #6	Pompeii Sewer
Reconciliation of operating loss to net cash provided by operating activities			
Operating loss	\$ (30,631)	\$ (17,510)	\$ (11,791)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation	32,863	18,790	11,945
Decrease in accounts receivable	952	35	14,124
Decrease in due from other funds	-	-	-
Increase in due to other funds	4,574	5,455	1,596
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 7,758</u>	<u>\$ 6,770</u>	<u>\$ 15,874</u>

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service Fund (Equipment)</u>
\$ (59,932)	\$ (3,923)
63,598	5,481
15,111	1
-	129
<u>11,625</u>	<u>414</u>
<u>\$ 30,402</u>	<u>\$ 2,102</u>

Township of Fulton

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Fulton, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Gratiot County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two Trustees and provides services to its residents in many areas including fire protection, sewer, roads, and planning.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the Township of Fulton. The Township does not have any activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township of Fulton contain all the funds controlled by the Township Board.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government as a whole. For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continued

The major funds of the Township are:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Sewer #5 Fund is used to account for the operations required to provide sewer services to the areas to the west and north of Rainbow Lake and the Village of Perrinton; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- c. The Sewer #6 Fund is used to account for the operations required to provide sewer services to the Middleton area; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- d. The Pompeii Sewer Fund is used to account for the operations required to provide sewer services to the Village of Pompeii; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

3. Measurement Focus

The government-wide and proprietary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Accounting - continued

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

5. Budgets and Budgetary Accounting

Budgets for General and Special Revenue funds are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. The Township employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to April 1, the budget is adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between accounts within a fund or activity or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year at the activity level for the General Fund and total expenditure level for the Special Revenue Fund.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, and investment trust fund accounts. The cash and cash equivalents are recorded at cost, which approximates market value.

Investments include certificates of deposit with an original maturity of greater than 90 days from the date of purchase. All investments are stated at market value.

7. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services.

Township of Fulton

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Property Tax

Fulton Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 28, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Gratiot County Treasurer on March 1 of the year following the levy. The Gratiot County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for debt service. For the year ended March 31, 2007, the Township levied .8329 mills for general governmental services. The total taxable value for the 2006 levy for property within the Township was \$55,298,403.

9. Interfund Transactions

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

10. Compensated Absences

Township employees are granted vacation leave in varying amounts. In the event of termination, an employee is paid for accumulated compensated absences. All employees with accumulated compensated absences at March 31, 2007 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

11. Capital Assets

Capital assets include buildings, equipment, vehicles, and sewer system and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental and business-type activities columns. Capital assets are those with an initial individual cost greater than \$1,000 and an estimated useful life of more than one year. Capital assets are recorded in the proprietary funds, but not the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Machinery and equipment	3 - 20 years
Furniture and fixtures	5 - 10 years
Buildings and improvements	40 years
Sewer system and improvements	40 years

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

13. Pompeii Sewer

The Pompeii Sewer project, a joint project between Fulton and Washington Townships, is being administered by Fulton Township. The Township is responsible for paying bills related to construction and general operations of the system along with the collecting of sewer usage and special assessment revenue. Fulton Township's share of the activity has been recorded in the Township's financial statements because the system is partially owned by the Township. The Township's percentage share of the system is 66.15 percent.

14. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Township of Fulton

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2007, the carrying amount of the Township's deposits were \$1,403,077 and the bank balance was \$1,432,649, of which \$221,897 was covered by federal depository insurance. The remaining balance of \$1,210,752 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Investments

As of March 31, 2007, the carrying amounts and market values for the investments were as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Weighted Average Maturity</u>	<u>Rating</u>
Insured or registered for which the securities are held by the Township's agent in the Township's name Federal Home Loan Mortgage Corporation	\$ 506,517	5.5 years	AAA

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2007, the Township's investments in the Federal Home Loan Mortgage Corporation were rated AAA by Standard and Poor's.

Interest rate risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of credit risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by designing its portfolio so that the investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Township of Fulton

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of March 31, 2007:

Cash and cash equivalents	\$ 953,227
Investments - current	450,000
Investments - noncurrent	<u>506,517</u>
	<u>\$ 1,909,744</u>

The cash and cash equivalents captions in the basic financial statements include \$150 in petty cash.

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at March 31, 2007, are as follows:

Due to General Fund from:	
Sewer #5 Fund	\$ 11,615
Sewer #6 Fund	10,314
Pompeii Sewer Fund	6,530
Nonmajor governmental funds	2,362
Internal service fund	<u>639</u>
	<u>\$ 31,460</u>
Due to Sewer #5 from:	
Pompeii Sewer Fund	<u>\$ 6,350</u>
Due to internal service fund from:	
Sewer #5 Fund	\$ 300
Sewer #6 Fund	75
Pompeii Sewer Fund	<u>33</u>
	<u>\$ 408</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE D: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable between the primary government at March 31, 2007:

Advance to Pompeii Sewer Fund from:	
Sewer #5 Fund	<u>\$ 25,593</u>

Township of Fulton
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2007 was as follows:

Governmental activities

	<u>Balance April 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2007</u>
Capital assets not being depreciated:				
Land	\$ 22,505	\$ -	\$ -	\$ 22,505
Capital assets being depreciated:				
Buildings and improvements	249,613	14,363	-	263,976
Machinery and equipment	137,188	2,630	-	139,818
Furniture and fixtures	<u>7,410</u>	<u>-</u>	<u>-</u>	<u>7,410</u>
Total capital assets being depreciated	394,211	16,993	-0-	411,204
Less accumulated depreciation for:				
Buildings and improvements	(135,605)	(6,540)	-	(142,145)
Machinery and equipment	(86,946)	(9,251)	-	(96,197)
Furniture and fixtures	<u>(4,649)</u>	<u>(467)</u>	<u>-</u>	<u>(5,116)</u>
Total accumulated depreciation	<u>(227,200)</u>	<u>(16,258)</u>	<u>-0-</u>	<u>(243,458)</u>
Net capital assets being depreciated	<u>167,011</u>	<u>735</u>	<u>-0-</u>	<u>167,746</u>
Net capital assets - governmental activities	<u>\$ 189,516</u>	<u>\$ 735</u>	<u>\$ -0-</u>	<u>\$ 190,251</u>

Depreciation expense was charged to the following governmental activity:

General government	<u>\$ 16,258</u>
--------------------	------------------

Business-type activities

	<u>Balance April 1, 2006</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance March 31, 2007</u>
Capital assets being depreciated:				
Sewer system	\$ 2,310,971	\$ -	\$(6,166)	\$ 2,304,805
Equipment	<u>118,119</u>	<u>54,801</u>	<u>-</u>	<u>172,920</u>
Total capital assets being depreciated	2,429,090	54,801	(6,166)	2,477,725
Less accumulated depreciation for:				
Sewer system	(1,511,250)	(52,492)	-	(1,563,742)
Equipment	<u>(87,755)</u>	<u>(11,106)</u>	<u>-</u>	<u>(98,861)</u>
Total accumulated depreciation	<u>(1,599,005)</u>	<u>(63,598)</u>	<u>-0-</u>	<u>(1,662,603)</u>
Net capital assets - business-type activities	<u>\$ 830,085</u>	<u>\$(8,797)</u>	<u>\$(6,166)</u>	<u>\$ 815,122</u>

Township of Fulton

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended March 31, 2007:

	Balance April 1, 2005	Additions	Deletions	Balance March 31, 2007	Amounts Due Within One Year
Governmental Activities					
Compensated absences	\$ 160	\$ 161	\$ 168	\$ 153	\$ 153
Business-type Activities					
1996 Revenue Bonds	178,605	-	6,615	171,990	6,615
	<u>\$ 178,765</u>	<u>\$ 161</u>	<u>\$ 6,783</u>	<u>\$ 172,143</u>	<u>\$ 6,768</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

\$320,000 County of Gratiot, Pompeii Community Sanitary Sewer System Bonds. These bonds are split \$211,680 and \$108,320 between Fulton and Washington Townships respectively. Bonds are dated August 1, 1996. Fulton Township's annual installments range from \$6,615 to \$13,230 through May 1, 2022, with interest ranging from 5.2 to 6.0 percent, payable semi-annually.

\$ 171,990

Year Ending March 31,	1996 Revenue Bonds	
	Principal	Interest
2008	\$ 6,615	\$ 9,896
2009	6,615	9,542
2010	6,615	9,181
2011	9,922	8,722
2012	9,922	8,161
2013-2017	52,921	32,050
2018-2022	66,150	13,892
2023	<u>13,230</u>	<u>397</u>
	<u>\$ 171,990</u>	<u>\$ 91,841</u>

Accrued Sick and Vacation

Individual employees have vested rights upon termination of employment to receive payments for unused sick and vacation time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$153 at March 31, 2007.

NOTE G: RISK MANAGEMENT

The Township participates in a pool, the Michigan Township Participating Plan, with other municipalities for auto, property, wrongful acts, law enforcement, crime, inland marine, and liability losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township also maintains commercial insurance coverage for workers' compensation.

Township of Fulton

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE H: FUND BALANCE RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance which the Township has set aside for specific purposes.

The following are the various fund balance reserves as of March 31, 2007:

Nonmajor governmental funds	
Reserved for	
Debt service	\$ 21,897
Perpetual care	22,307
Prepays	<u>182</u>
	<u>\$ 44,386</u>

The following is the fund balance designation as of March 31, 2007:

General Fund	
Designated for subsequent year's expenditures	<u>\$ 27,552</u>

NOTE I: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of March 31, 2007:

Governmental activities	
Restricted for	
Debt service	\$ 21,897
Perpetual care	<u>22,307</u>
	<u>\$ 44,204</u>
Business-type activities	
Restricted for	
Debt service	<u>\$ 167,794</u>

NOTE J: BUILDING AND ZONING FINANCIAL INFORMATION

The Township elected to report the financial activities of the building and zoning activity in the General Fund. The following is the required information as it relates to this activity for the year ended March 31, 2007:

REVENUES	
Zoning permits	\$ 660
EXPENDITURES	
Salary and fringes	1,105
Postage	7
Advertising	<u>166</u>
TOTAL EXPENDITURES	<u>1,278</u>
EXCESS OF REVENUES	
UNDER EXPENDITURES	<u>\$(618)</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Fulton

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 62,965	\$ 62,965	\$ 63,753	\$ 788
Licenses and permits	800	800	660	(140)
Intergovernmental	136,821	136,821	138,386	1,565
Charges for services	7,200	7,200	8,881	1,681
Interest and rents	7,500	7,500	8,755	1,255
Other	8,000	8,000	13,269	5,269
TOTAL REVENUES	223,286	223,286	233,704	10,418
EXPENDITURES				
General government				
Township board	14,325	14,325	7,855	6,470
Supervisor	9,650	9,650	9,552	98
Clerk	17,570	18,370	18,196	174
Board of Review	915	915	538	377
Treasurer	29,270	29,270	28,199	1,071
Elections	4,150	6,150	5,694	456
Assessor	10,900	10,900	9,917	983
Building and grounds	35,800	35,800	34,455	1,345
Cemetery	38,850	41,050	41,041	9
Total general government	161,430	166,430	155,447	10,983
Public safety				
Fire	30,500	30,500	30,500	-0-
Public works				
Drains	5,000	5,000	1,873	3,127
Highways, streets, and bridges	58,948	53,948	45,356	8,592
Total public works	63,948	58,948	47,229	11,719
Community and economic development				
Zoning	1,975	1,975	1,278	697
Other				
Insurance and fringe benefits	10,600	10,600	9,953	647
TOTAL EXPENDITURES	268,453	268,453	244,407	24,046
NET CHANGE IN FUND BALANCE	(45,167)	(45,167)	(10,703)	34,464
Fund balance, beginning of year	287,521	287,521	287,521	-0-
Fund balance, end of year	\$ 242,354	\$ 242,354	\$ 276,818	\$ 34,464

OTHER SUPPLEMENTARY INFORMATION

Township of Fulton
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
March 31, 2007

	<u>Special Revenue</u>		<u>Debt Service</u>
	<u>Middleton Street Lighting</u>	<u>Pompeii Street Lighting</u>	<u>Sewer #3</u>
ASSETS			
Cash and cash equivalents	\$ 6,179	\$ 6,530	\$ 21,897
Due from other governmental units - local	724	252	-
TOTAL ASSETS	<u>\$ 6,903</u>	<u>\$ 6,782</u>	<u>\$ 21,897</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ 1,991	\$ 371	\$ -
FUND BALANCES			
Reserved for perpetual care	-	-	-
Reserved for debt service	-	-	21,897
Unreserved			
Undesignated, reported in:			
Special revenue funds	<u>4,912</u>	<u>6,411</u>	<u>-</u>
TOTAL FUND BALANCES	<u>4,912</u>	<u>6,411</u>	<u>21,897</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,903</u>	<u>\$ 6,782</u>	<u>\$ 21,897</u>

<u>Permanent</u>		<u>Total Nonmajor Governmental Funds</u>
<u>Cemetery Perpetual Care</u>		
\$ 22,307	\$ 56,913	
-	976	
<u>\$ 22,307</u>	<u>\$ 57,889</u>	
\$ -	\$ 2,362	
22,307	22,307	
-	21,897	
-	11,323	
<u>22,307</u>	<u>55,527</u>	
<u>\$ 22,307</u>	<u>\$ 57,889</u>	

Township of Fulton

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended March 31, 2007

	<u>Special Revenue</u>		<u>Debt Service</u>
	<u>Middleton Street Lighting</u>	<u>Pompeii Street Lighting</u>	<u>Sewer #3</u>
REVENUES			
Interest	\$ -	\$ -	\$ 109
Other			
Special assessments	<u>6,432</u>	<u>1,607</u>	<u>-</u>
TOTAL REVENUES	6,432	1,607	109
EXPENDITURES			
General government	100	100	-
Public works	<u>5,797</u>	<u>1,061</u>	<u>-</u>
TOTAL EXPENDITURES	<u>5,897</u>	<u>1,161</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCES	535	446	109
Fund balances, beginning of year	<u>4,377</u>	<u>5,965</u>	<u>21,788</u>
Fund balances, end of year	<u>\$ 4,912</u>	<u>\$ 6,411</u>	<u>\$ 21,897</u>

<u>Permanent</u>	
<u>Cemetery</u>	<u>Total</u>
<u>Perpetual Care</u>	<u>Nonmajor</u>
	<u>Governmental</u>
	<u>Funds</u>
\$ -	\$ 109
-	8,039
-0-	8,148
-	200
-	6,858
-0-	7,058
-0-	1,090
22,307	54,437
<u>\$ 22,307</u>	<u>\$ 55,527</u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF THE FINANCIAL STATEMENTS**

To the Members of the Township Board
Township of Fulton
Perrinton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Fulton as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated July 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Fulton's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the following deficiency to be a significant deficiency in internal control over financial reporting:

PREPARATION OF FINANCIAL STATEMENTS

Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the Township rests with the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many small to medium-sized governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

The condition noted in the preceding paragraph exists at the Township of Fulton. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the Township's annual financial statements and notes to the financial statements in accordance with GAAP. The Township relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We recommend the Township consider obtaining the proper training for the appropriate staff members to assure that they are able to fully understand what goes into the preparation of the annual audited financial statements and so that they can take responsibility for the preparation of the annual audited financial statements, assure there are no material misstatements, and assure there are appropriate disclosures in accordance with accounting principles generally accepted in the United States of America.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency noted above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters.

This report is intended solely for the information and use of management, the members of the Board of the Township of Fulton, and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 18, 2007